Business Briefs

Austerity

World Bank sets conditions for Brazil

The World Bank set three conditions for releasing $500 million in credits to Brazil for the electrical sector, according to *Gazeta Mercantil* Nov. 9.

- Preserve the environment;
- Protect "indigenous communities" from the environmental effects of the construction of new hydroelectric plants;
- Apply the "safeguards" mandated by the Nuclear Non-Proliferation Treaty to the Brazilian nuclear program.

The World Bank presented these conditions to the Brazilian mission to Washington in the first week of November. Previously, the World Bank demanded that population-reduction measures be a prerequisite for credits.

Corporate Strategy

Is Lonrho target of hostile takeover?

Is Tiny Rowland's Lonrho (London-Rhodesia) conglomerate being subjected to a hostile takeover attempt? That seems to be the case, according to an article in the Nov. 12 *Financial Times* entitled, "Breaking up Tiny's Far-flung Empire." Alan Bond, an Australian corporate raider, has bought a 20.5% stake in the Lonrho group.

"The collective mind of the City of London is now concentrated on the probability of a break-up bid." Even the rumors of a takeover bid have led to an upward climb of Lonhro shares.

"Investment bankers the world over," says the newspaper, "must be licking their lips at the prospect of such a gargantuan dismemberment." There is doubt, however, that Bond, "with his interests in mining, drinks, and leisure," is the man to bring down Rowland, who is well connected to the British Crown. Lonrho has worldwide assets with a concentration of such in the former African colonies.

Rowland himself is internationally known as one of the dirtier assets of British intelligence.

Rowland had earlier told Department of Trade inspectors that anyone wanting to kill Lonrho had to have "a sub-machine gun, mortars, all sorts of ammunition, because I am going to protect it to the bitter end."

Banking

Emergency session over Tuscan savings bank

Italian banking officials met in emergency session over the bankruptcy of the Cassa di Risparmio di Prato, in what is being called the "worst Italian banking crisis since the 1982 collapse of Roberto Calvi's Banco Ambrosiano," the London *Financial Times* reported Nov. 14.

The thrift institution, located in the city of Prato in the region of Tuscany not far from Florence, has at least $1.08 billion in bad debts, and there is a reported run on its deposits, which dropped 25% in a matter of days.

The losses are reportedly linked to regional textile industry loans, but fraud and embezzlement are also mooted.

The head of one of Italy's largest banks told the British newspaper, "We are facing a very serious matter. . . . The aim is to avoid panic among investors."

Dope, Inc.

Peru drug legalizer to brief Bush team

Peruvian Social Democratic fascist Hernando de Soto, head of the Liberty and Democracy Institute, has been invited to Washington to address the entire team of aides to President-elect George Bush.

De Soto is known for his sponsorship of what he calls the "informal economy." The "informal economy" consists principally of drug-running, and secondarily of what are called "cockroach enterprises," e.g., street vendors and the like.

President Ronald Reagan made explicit reference to De Soto in a speech to the United Nations last year, praising him as an exemplar of "free enterprise."

Meanwhile, the Peruvian Senate has just approved a sweeping "free trade zones" law that opens up a dozen cities for manufacturing, trade, and, soon, tourist exploitation free of taxes, normal tariffs, and labor laws. The law was approved in uncommon haste, with hardly any debate, and is being played as a panacea for Peru's devastated economy. One of the free zones is Puerto Maldonado, on the Amazon, in the jungle near the major cocaine-producing areas.

Europe 1992

Bank of England throws support to Thatcher

Bank of England Governor Robin Leigh-Pemberton has dealt a major blow to the scheme to create a supranational European Central Bank as part of "Europe 1992," the European Commission legislation that will eliminate all customs barriers to the movement of people, goods, and capital among European Community member-states in 1992.

Indicating for the first time his alignment on this issue with Prime Minister Thatcher, who has called the whole "Europe 1992" scheme "airy-fairy," Leigh-Pemberton told a foreign exchange conference in Luxembourg that European Community member countries should concentrate on "immediate practical steps" to promote economic integration in the EC, rather than pursue the final goals of a European single currency and single central bank.

He added that a "premature obsession" with monetary union could impede completion of the barrier-free single market.

The *Financial Times* of London of Nov. 16 notes that this statement, combined with the negative statements by German Bundesbank chief Karl-Otto Pöhl, mean that "the future of the Delors Committee and the European central bank must now be looking bleak. . . . The idea now seems truly on the shelf."

European Commission President Jacques

Delors is also head of a special committee which drew up plans for a European Central Bank (see article, page 6).

Foreign Exchange

Norwegian currency comes under attack

The National Bank of Norway spent 10% of its foreign exchange reserves in the week of Nov. 11-16 to defend Norway's currency, the kroner, against foreign exchange speculation. Behind the attack on the currency are rumors of a government crisis of confidence and impending devaluation.

Socialist Finance Minister Gunnar Berge told national radio on Nov. 15 that the government of Gro Harlem Bruntland would increase interest rates of necessary to stop the kroner's fall. He attacked the idea of a devaluation.

The Norwegian economy has become "Europe's Texas," under the impact of collapsing oil prices and a collapsing dollar—Norwegian oil exports being denominated in dollars.

In January, at the demand of the central bank, the socialist government imposed savage austerity measures to "reduce demand," including a wage freeze, tax increases, and credit contraction, ostensibly to cut the "current account deficit." The result has been a 20% collapse in real estate values throughout the country and deep economic recession, which has severely aggravated the oil sector's problems of the past two years.

"We never could have gotten this level of austerity imposed without the Socialists to control the unions," boasted a Norwegian banker in a recent private discussion.

Business Law

Chicago distributor files suit vs. banks

Midwest Circulation Corp. (MCC) filed suit Nov. 17 against three Chicago area banks and their officers for interference with business and violation of its First Amendment rights through financial harassment.

MCC, a distributor of publications reflecting the political, social, and economic views of former presidential candidate Lyndon LaRouche, charges that the banks and their officers, in conjunction with unknown parties, conspired to take actions that would irreparably damage its ability to remain in business and thus disseminate those views.

The complaint, which asks for $550,000 in damages, charges that the defendants willfully stole and converted funds donated by a supporter by first refusing to honor the cashier's checks she had given, and then "bouncing" cashier's checks purchased by MCC to pay its bills, to cover a supposed "overdraft" thus created.

According to MCC's attorney, this represents the first in a series of such suits against institutions and individuals who have acted to harass MCC and its contributors and supporters, based solely on their politically motivated animosity toward Lyndon LaRouche and those associated with him.

Food

Cartel pressures independent food banks

The Second Harvest nationwide food bank network is running an operation to control food supplies that smacks of totalitarian rule, according to representatives of the only independent food bank left in Indiana, the West Lafayette Food Bank.

According to West Lafayette spokesmen, their group has been approached lately by Second Harvest and pressured to join its national network. The conditions for joining were that they pay $25,000 up-front, that they not accept food supplies from any source except Second Harvest, and that they accept un-itemized bills for the food supplied.

When the Lafayette food bank administrators refused to agree to these onerous conditions, the Second Harvest representative told them, "If you don't join us, we will shut you down."

Immediately thereafter, all of their large donors were targeted and harassed by Second Harvest, with some donors breaking off agreements as a result.

Briefly

- **ITALY'S FERRUZZI** financial group is among the sponsors of a new anthology of quotes from one-worldist Jean Monnet, called *Keys to Action*. The publisher is the Association of Friends of Jean Monnet—i.e., of "Europe 1992." This tribute to Gen. Charles de Gaulle's bitterest French enemy is to be introduced as a textbook into French schools.

- **THE SOVIETS** have placed another big order for U.S. corn, at rock-bottom prices, the U.S. Department of Agriculture announced Nov. 14, after the close of the Chicago grain market. The Soviets have purchased 300,000 tons, and may order more. It is likely that the order was placed when corn prices had fallen to $2.69 per bushel—the lowest level since the drought-induced price rally began this summer.

- **HENRY GONZALEZ** (D.-Tex.), expected to become House Banking Committee chairman, has proposed to Treasury Secretary Nicholas Brady that he extend a $50 billion credit line to the Federal Savings and Loan Insurance Corporation, to allow it to guarantee savings deposits at bankrupt thrifts. Under the proposal, the money would be repaid by sale of bankrupt S&L assets—most of which are real estate assets. The immediate effect would therefore be to crash the real estate market.

- **BANK OF BOSTON'S** portfolio of bad real estate loans is now at $470 million, with actual losses this year running at $49 million, up from $17 million last year.

- **FORTY-FIVE PERCENT** of Mexico's foreign exchange earnings go for interest payments on its foreign debt. This totaled $9.239 billion in 1988, the Finance Ministry announced. The total paid for interest alone during President Miguel de la Madrid's six-year term was $57.67 billion. The principal on Mexico's debt is $102 billion.